



Independent Accountants' Report

The Board of Directors
MCI, Inc.:

We have examined management's assertion, included in the accompanying *Report of Management on Compliance with Applicable Requirements of 47 C.F.R. Section 64.1310*, that MCI, Inc. ("MCI" or "the Company") complied with Section 64.1310(a)(1) of the Federal Communications Commission's ("FCC's") Rules and Regulations as of November 1, 2004. Management is responsible for the Company's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, management's assertion that the Company complied with the aforementioned requirements as of November 1, 2004, is fairly stated in all material respects, based upon compliance factors set forth in Section 64.1320(c) of the FCC's Rules and Regulations and in management's assertion.

This report is intended solely for the information and use of the Company, the FCC, and applicable Facilities-Based Long Distance Carriers and Payphone Service Providers and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Denver, Colorado
November 1, 2004

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Section 64.1310**

Management of MCI, Inc. ("MCI" or the "Company") is responsible for establishing and maintaining the internal controls over its pay telephone call tracking system necessary for compliance with 47 C.F.R. Section 64.1310, as discussed in the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*.

Management has evaluated the Company's compliance with the applicable requirements of 47 C.F.R. Section 64.1310, using the criteria in 47 C.F.R. Section 64.1320 (c) as the framework for the evaluation. Based on this evaluation, we assert that as of November 1, 2004, the Company complies with the applicable requirements of 47 C.F.R. Section 64.1310 in all material respects as described below. Beginning July 1, 2004 all call records have been processed by the call tracking system evaluated. The quarterly compensable call file produced for the quarter ended September 30, 2004 will be created by the call tracking system. MCI provides the following information regarding its compliance.

MCI acts as the Completing Carrier¹ in the following call scenarios:

1. Postpaid Calling Card calls
2. Prepaid Calling Card calls
3. Toll Free calls
4. Operator Service calls
5. Wholesale Switch-less Based Reseller calls

MCI uses National Payphone Clearinghouse ("NPC") to perform payphone compensation settlement. Certain assertions included in this report depend in whole or in part upon NPC performance. In support of these assertions, MCI relies upon a contractual agreement between MCI and NPC ("NPC Contract"), which requires NPC compliance with 47 C.F.R. Section 64.1310 and CC Docket No. 96-128. In addition, NPC has provided MCI an independent third-party audit report to verify that effective controls and procedures relating to these assertions have been established and will be maintained by NPC. MCI has not conducted an independent evaluation and makes these assertions based solely on the NPC Contract and third-party audit report of NPC's operations.

¹ As defined in the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, Section 64.1300 (a), a Completing Carrier is a long distance carrier or switch-based long distance reseller that completes a coinless access code or subscriber toll-free payphone call or a local exchange carrier that completes a local, coinless access code or subscriber toll-free payphone call. In addition, MCI offers switched network long distance service to facilities based resellers ("FBRs") who then complete payphone calls. MCI is not required to pay payphone compensation on calls that are routed to FBRs. However, MCI offers a service to its FBR customers whereby MCI pays payphone compensation to the payphone service providers ("PSPs") for calls routed to the FBRs. As of July 1, 2004, a FBR may "opt-in" to this service (MCI pays payphone compensation on calls routed to the FBR). For FBRs opting-in, compensable FBR payphone calls will be included in the NPC "Superfile" forwarded to NPC on a quarterly basis by MCI.

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The assertions for MCI are made starting with the initial point in call record processing at which MCI has visibility to the call tracking data. MCI represents the following facts regarding its role as the Completing Carrier, which are in fulfillment of the obligation of MCI as described at 47 C.F.R. Section 64.1320 (c):

A. MCI's procedures accurately track payphone calls to completion, as follows:

1. MCI's systems track completed payphone calls, which are calls answered by the called party.
2. MCI's procedures for identifying PSPs are complete and accurate. MCI has engaged the NPC to determine the identities of the PSPs to which MCI owes compensation and has relied on the NPC's third-party audit to verify that NPC's procedures are complete and accurate.
3. MCI's procedures for validating payphone ANIs are complete and accurate, subject to provision of the relevant information by NPC, the completeness and accuracy of which the third-party audit report of NPC processes verified.

B. MCI has persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls, as follows:

1. MCI has identified personnel responsible for drafting and maintaining the business requirements associated with call tracking, payphone compensation and resolving disputes concerning payphone-completed calls.
2. MCI has identified personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data, and the third-party audit report of NPC verified that NPC has designated personnel responsible for the development and maintenance of the systems under their control used in the collection and reporting of payphone call data.
3. MCI has identified personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets, and the third-party audit report of NPC verified that NPC has designated personnel responsible for the implementation and maintenance of procedures under their control that are utilized in creating final compensation data sets.
4. MCI has identified personnel who are responsible for developing compensation-tracking reports, and the third-party audit report of NPC verified that NPC has designated personnel who are responsible for developing compensation-tracking reports under their control.

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5. MCI has identified personnel who are responsible for payphone compensation dispute resolution, and the third-party audit report of NPC verified that NPC has designated personnel who are responsible for the payphone compensation dispute resolution under their control.
6. MCI has identified personnel responsible for managing coordination with the payphone clearinghouse services provider, NPC.

C. MCI has effective data monitoring procedures, as follows:

1. MCI performs data monitoring procedures on call record volumes entering the payphone compensation systems.
2. MCI performs fraud-monitoring procedures to identify potentially illegitimate payphone calls.

D. MCI adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability, as follows:

1. MCI has security controls in place to control access to and monitor call-tracking data, and the third-party audit report of NPC verified that NPC has controls in place to control access to and monitor call-tracking data.
2. MCI has security controls in place to control access to and monitor the payment disbursement system, and the third-party audit report of NPC verified that NPC also maintains such controls.
3. MCI has a department that is responsible for making software changes that affect payphone compensation, and the third-party audit report of NPC verified that NPC also maintains such a department.
4. MCI has established protocols to implement and test software changes affecting payphone compensation, and the third-party audit report of NPC verified that NPC also maintains such protocols.
5. MCI has application controls in place to ensure that network changes, external to payphone compensation, do not adversely impact payphone compensation.

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E. MCI creates a compensable payphone call file by matching call detail records against payphone identifiers, as follows:

1. MCI utilizes switch data and database look-ups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
2. A compensable call for MCI is one originating at a domestic payphone, using a non-commissioned dial-around product and completed by MCI to the called party.
3. MCI uses payphone specific identifiers (info-digits and/or ANI lists) to identify a compensable payphone call record, and the third-party audit report of NPC verified that NPC also maintains such identifiers.
4. MCI applies validation and control procedures to compile the Compensable Call File.
5. MCI uses the FCC default per call rate (\$.24 through September 26, 2004; \$.494 from September 27, 2004 forward) to compensate PSPs, and the third-party audit report of NPC processes verified that NPC compensates payphone providers based on these rates.

F. MCI has procedures to incorporate call data into required reports as follows:

1. MCI's systems are able to generate, and the third-party audit report of NPC verified that NPC's systems are able to generate for the systems under their control, the following reports on a quarterly basis:
 - a) A list of the toll free and access numbers dialed and completed from each PSP's payphones along with the ANI for each payphone.
 - b) The volume of calls for each toll free and access number that was completed by MCI.
 - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling MCI's payphone compensation.
 - d) The Carrier Identification Code ("CIC") or trunk routing group of all facilities-based long distance carriers that routed calls to MCI, categorized according to toll-free and access code numbers.

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G. MCI has implemented procedures and controls needed to resolve payphone compensation disputes, as follows:

1. MCI maintains required call tracking data for 18 months, and the third-party audit report of NPC verified that NPC also maintains such data for 18 months.
2. MCI has the ability to investigate and resolve PSP disputes.
3. MCI has designated personnel who are responsible for payphone compensation dispute resolution.
4. MCI filed a statement that includes the names, addresses and phone numbers for persons responsible for handling payments and resolving disputes with the FCC on June 30, 2004 and posted on the NPC website. This statement will be updated within 60 days of any changes of such persons. The statement was filed with the FCC Secretary and made available to its facilities based resellers and PSPs.

H. MCI has developed and implemented critical controls and procedures to verify that errors are insubstantial as follows:

1. MCI has procedural controls to identify payphone-originated calls, and the third-party audit report of NPC verified that NPC also has such procedures.
2. MCI has procedural controls to capture dial-around calls.
3. MCI has procedural controls to exclude incomplete calls from the Compensable Call File.
4. MCI has procedural controls to accurately populate call record data in the Compensable Call File.
5. MCI has procedural controls to exclude commissioned and other non-compensable calls from the Compensable Call File.
6. MCI has data monitoring procedural controls on call record volumes entering the payphone compensation systems.
7. MCI has established protocols to implement and test software changes affecting payphone compensation, and the third-party audit report of NPC verified that NPC also maintains such protocols.

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- I. MCI has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the PSPs to which MCI owes compensation, as follows:**
1. MCI has business rules that identify calls originated from payphones using info-digits and/or the payphone ANI list and the third-party audit report of NPC verified that NPC also has such business rules.
 2. MCI has business rules that identify compensable payphone calls, specifically all calls identified from info-digits and/or the payphone ANI list and call duration greater than zero.
 3. MCI has business rules that identify incomplete or otherwise non-compensable calls, including: (1) calls that do not have a payphone info-digit or are not on the payphone ANI list and (2) calls with a duration of zero.
 4. MCI has business rules to determine the identities of the PSPs to which MCI owes compensation and the third-party audit report of NPC verified that NPC also has such business rules.

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MCI – Required Disclosures per 64.1320(d)

MCI represents the following facts regarding its role as the Completing Carrier. These facts are in fulfillment of the obligations of MCI as specified at 47 C.F.R. Section 64.1320 (d):

1. MCI's criteria for identifying calls originating from payphones include call record info-digit identification of 27, 29 or 70. In addition, originating ANI is also used to identify payphone-originated calls.
2. MCI's criteria for identifying compensable payphone calls include all calls with info-digits 27, 29 or 70 (or with a payphone-identified originating ANI) and call duration greater than zero (0). Calls originating from a payphone where MCI has a written compensation agreement with the payphone owner are excluded from the Compensable Call File.
3. MCI's criteria for identifying incomplete or otherwise non-compensable calls include: (1) calls that do not have info-digits 27, 29 or 70 (or that are not from a payphone-identified originating ANI), (2) calls with a duration of zero (0), or (3) calls that originate from payphones where MCI has a separate compensation agreement in place.
4. MCI's criteria used to determine the identities of the PSPs to which MCI owes compensation are established by NPC.
5. The type of information that MCI needs from the PSPs in order to compensate the PSPs is determined by NPC.

Other Disclosures

Calls from the MCI International prepaid card product are not tracked in the Payphone Compensation System. In the first five months of 2004 this product has averaged less than 7,500 calls per month from US payphones. MCI is working to incorporate these calls into its call tracking system and plans to remediate this issue prior to July 1, 2005. These calls account for no more than 0.04% of compensable payphone calls.

Dated: November 1, 2004

MCI, Inc.



Richard Whitt
Vice President, Federal Regulatory